

# KANSAS DEPARTMENT OF CREDIT UNIONS

400 Kansas Avenue Suite B

Topeka, Kansas 66603

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## ADMINISTRATOR'S BULLETIN

AB – 05 - 02

September 20, 2005

### **CREDIT UNION COUNCIL MEETING**

The next meeting of the Credit Union Council will be December 1, 2005 at 10:00 a.m. in the KDCU conference room, 400 Kansas Avenue, Suite B, Topeka, Kansas. The seven member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

Current Council Members are:

Erich Schaefer, Chair	Garden City, Ks.
Steve A. Ray	Kansas City, Ks.
Tony Augusto	Berryton, Ks.
Gilbert Benton	Cimarron, Ks.
Mark C. Bezdek	Topeka, Ks.
Mark Kolarik	Pittsburg, Ks.
Gary A. Regoli	Wichita, Ks.

Each member of the council serves a 3-year term. If you are interested in becoming a candidate for the council, please call KDCU for more information.

### **BANK SECRECY ACT (BSA) COMPLIANCE**

Compliance reviews of the Bank Secrecy Act (BSA) have been a priority focus recently on a national level. The BSA requires financial institutions to file certain currency and monetary instrument reports. These reports provide a paper trail of money laundering activities relating to drug traffickers, terrorist financing, and white collar criminals and assist law enforcement with investigations and prosecutions.

Each credit union is required to have a compliance program that includes:

1. a system of internal controls to ensure ongoing compliance;
2. testing for compliance by the credit union or outside party;
3. a compliance officer responsible for monitoring day-to-day compliance; and
4. training for appropriate employees.

Violations of this regulation may result in significant civil penalties and criminal penalties for any

domestic financial institution, and upon any director, officer or employee. All financial institutions in the United States must comply with BSA regardless of asset size.

Copies of required reports may be found on FinCEN's website at: <http://www.fincen.gov>.

Credit unions are encouraged to carefully review their practices for compliance with BSA. KDCU examiners are required to review compliance of BSA in the risk-focused examination and will inquire about BSA practices at your credit union.

### **COPIES OF SUSPICIOUS ACTIVITY REPORTS TO KDCU**

KDCU has implemented a new procedure for credit unions. A copy of any suspicious activity reports (SAR) filed with FinCEN must also be sent to the department office. Copies may be electronic when filed to FinCEN or it can be a hard copy. Please use the e-mail address listed above for the electronic copy. This procedure is effective immediately.

As you know, credit unions must have an identifying and monitoring process to determine whether transactions have apparent lawful purposes and are the sort that a particular member would normally be expected to engage in. For unusual transactions, credit unions should file a suspicious activity report if, after examining the background and possible purpose of the transaction, the credit union knows of no reasonable explanation for the transaction after examining available facts.

A SAR must be filed within 30 days after discovery for suspicious transactions of any amount or when there is reasonable suspicion that a crime against the credit union has occurred and the amount of the loss is greater than \$5,000 if a non-insider. If an insider, then any amount.

If you have any questions concerning this new procedure, please contact the office of the KDCU.

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**NEW CALL REPORT FILING PROCEDURE**

The procedure for filing your quarterly call report will change slightly with the September 2005 reporting cycle.

All credit unions that e-send the report will receive filing receipt and a return transmission showing any report errors and warnings to be corrected or explained by the credit union. You will also receive a condensed Financial Performance Report.

Once you file your report, a notice will automatically inform your examiner that you have filed the report. You must contact your examiner, if you are interested in filing the report in any other manner than through the e-send process.

**ADMINISTRATOR'S FINAL THOUGHTS**

Let me take a moment to share a few thoughts about what I have learned over the last 8 years as a state employee and the Administrator for the Kansas Department of Credit Unions.

Most credit unions will follow, without question, the directives issued by the KDCU through an examination report. While this will satisfy the requirements of KDCU, I would suggest that a healthy curiosity about examination requirements would be respectfully received by all examiners, including NCUA.

All KDCU staff believes part of the job is to help credit unions and credit union members. While this may appear to be inconsistent with our role as regulators, staff holds a strong belief that helping a credit union stay in compliance with the law or with regulations results in better service to the members, even though the short term impact created heartaches and headaches for credit union staff.

The KDCU staff is recognized by the NCUA and state regulators throughout the country as an agency with great expertise and experience. The agency is known to be prepared and able to conduct any and all examination procedures with expertise equal to any other examiner in the country, whether state or federal. This acknowledgement is recognized for smallest asset size natural person

credit union up through the largest asset size corporate. My experience is that KDCU staff is well respected among their peers.

I have heard from staff many times over that they have stayed with the agency because they believe in credit unions. I find it interesting that over the years, I have heard much the same comments from credit union staff and from staff of the credit union association.

I am pleased to have had the opportunity to serve the state of Kansas and the Kansas credit union movement as Administrator for almost 8 years. I am looking forward to continuing my service to credit unions as an employee of the Kansas Credit Union Association beginning September 26, 2005.

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**Jerel Wright, Administrator**

**KDCU STAFF**

**ADMINISTRATOR**

Jerel Wright

**FINANCIAL EXAMINER ADMINISTRATOR**

Jack Hohman

**FINANCIAL EXAMINER PRINCIPAL**

James Burgess  
Warren Meyer  
Steve Borchers  
Manny Lopez

**FINANCIAL EXAMINER SENIOR**

James Klausen  
Valorie White  
Richard Yadon

**FINANCIAL EXAMINER**

Michael Baugh  
Andrew Numelin

**ADMINISTRATIVE SPECIALIST**

Cheryl Bishop  
Freda Chabira